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POSTAL RATE AND FEE CHANGES, 1997 | Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DEGEN TO INTERROGATORIES OF
TIME WARNER, INC.
(TW/USPS-T12—24-33)

The United States Postal Service hereby provides responses of witness Degen to

the following interrogatories of Time Warner, Inc.: TW/USPS-T12—24-33, filed on
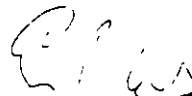
September 8, 1997.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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September 22, 1997

TW/USPS-T12-24. Table TW/USPS-T12-6b in LR-H-219 shows the
following costs for item type pc_FLT under the mixed container column:
$27.051 million in MODS offices, $9.916 million in Non-MODS offices and
$1.227 million at BMC's for a total of $38.194 million.

a. Please confirm that these numbers represent the IOCS tally costs
   assigned to loose flats observed in mixed mail containers handled by
   clerks or mailhandlers when observed by IOCS clerks. If you do not
   confirm, please provide the correct definition.
b. Please state all assumptions on which your attribution of these costs to
   individual subclasses is based and indicate why you believe each such
   assumption is justified.
c. Is one of your implicit assumptions that loose flats in mixed mail
   containers in a given cost pool have the same subclass distribution as
   that obtained from the direct tallies for flats in the cost pool? Please
   explain your answer.
d. Assuming that X dollars have been computed as the IOCS tally costs
   associated with loose flats in mixed mail containers in a given cost pool,
   is your distribution of those costs to mail subclasses at all affected by
   the type(s) of container(s) that those flats were in? If yes, please explain
   how.
e. Please explain in detail how your construct a distribution key for the
   costs associated with loose flats in mixed mail containers.
f. Please describe the use made in your cost distribution method of the
   container type information entered by IOCS clerks in response to
   Question 21C.

TW/USPS-T12-24 Response.

a. Not confirmed. The costs are volume-variable costs. That is, volume-

   variable costs have been distributed to tallies or groups of tallies that

   would otherwise be redistributed to subclass. The relationship between

   a tally's F9250 dollar value and the volume-variable cost distributed to

   the tally is as follows.

$$\text{volume - variable costs (tally)} = \left(\frac{\text{F9250 cost (tally)}}{\text{Total tally costs for cost pool}}\right)$$
$$\times \text{volume - variable costs for cost pool}$$

b. The assumption is that the subclass distribution of direct tallies handling flat-shape pieces in the same cost pool is an unbiased estimate of the unknown subclass distribution of loose flats in mixed-mail containers. The idea is that if the IOCS sample were hypothetically re-drawn, that some mail that we observe as directs would instead be "observed" as part of mixed-mail (say, because a piece were observed in a container instead of in the hand of an employee sorting it into a case), and vice-versa. The direct mail distributions from the hypothetical two samples should differ only by random sampling error.

c. No, not exactly. Although the subclass distribution of direct tallies handling flat-shape pieces is, in fact, the distribution applied to the loose flats in mixed-mail containers, the assumption is that the direct distribution is representative of the unknown distribution of the flats in containers.

d. No.

e. The technique used to distribute loose flats in mixed-mail containers does not differ from the technique used to distribute loose mail of other shapes or items in mixed-mail containers. Please see USPS-T-12 at 9, the description of program MOD2ITEM in LR-H-146 at II-3 and II-9, the

source code to program MOD2ITEM in LR-H-146, and my response to

MPA/USPS-T12-1.

f. The distribution of "unidentified" (including empty) containers is carried

out by container type, based on identical mail and distributed "identified"

mixed-mail containers of the same type. Please see USPS-T-12 at 10,

the description of program MOD3CONT in LR-H-146 at II-3 and II-10, the

source code to program MOD3CONT in LR-H-146, and my response to

MPA/USPS-T12-1.

TW/USPS-T12-25. Attachment 1 of your answer to TW/USPS-T12-9 shows the following volume variable "unidentified containers" costs: $313.615 million in MODS offices, $26.084 million in BMC's and $59.083 million in Non-MODS offices, for a total of $398.782 million, of which $350.189 million are associated with activity code 6523.

a. Please confirm that all 6523 costs where empty containers were being handled are treated as "unidentified container" costs. If not confirmed, please explain.
b. Please describe all assumptions on which your distribution of "unidentified container" costs is based and indicate why you believe each such assumption is justified.
c. Please describe all costs on which you base your distribution of unidentified container costs and explain how that distribution key is constructed.
d. Attachment 3 of your answer to TW/USPS-T12-9 shows the percentages of "handling item", "handling container" and "not handling" for 6523 costs at each mail processing cost pool. Please confirm that the "handling container" percentages represent all "unidentified container" costs with activity code 6523. If not confirmed, please explain.
e. Attachment 3 of your answer to TW/USPS-T12-9 does not show any percentages for LD15 (RBCS). Please provide those percentages.
f. For each cost pool used in your analysis, please provide the "unidentified container" costs distributed to each subclass and special service.
g. For each cost pool used in your analysis, please provide the "not handling" costs distributed to each subclass and special service.

TW/USPS-T12-25 Response.

a. Confirmed.

b. For non-empty "unidentified" containers, the assumption is that the

subclass distribution of combined identical mail and "filled" identified

mixed-mail containers of the same type and cost pool is the best

available estimate of the unknown subclass distribution of the mixed-mail

containers. For empty container observations, the subclass distribution

of combined identical mail and "filled" identified mixed-mail containers of

the same type and cost pool is assumed to resemble the subclass

distribution of the mail which would fill or had filled the containers.

c. Please see my response to TW/USPS-T12-24 part f.

.d. Confirmed.

e. The distribution of LD15 costs in Table 5 of USPS-T-12 is based entirely

on direct tallies in MODS operations 971-978. By construction, there are

no 6523 tallies in this tally set. Please see the source code to program

MOD4DIST at lines 33-35 and 46 (etc.), LR-H-146.

f. The requested data are included in LR-H-270 as files tw25fmod,

tw25fbmc, and tw25fnmd.

g. The requested data are included in LR-H-270 as files tw25gmod,

tw25gbmc, and tw25gnmd.

TW/USPS-T12-26

a. Please confirm that, as an average over all cost pools, approximately 33% of all code 6523 (empty equipment) costs are actually "not handling" costs. If not confirmed, please provide the percentage you believe to be correct.

b. Is it correct to interpret the "not handling" portion of code 6523 costs as meaning that the observed employee was handling neither mail nor empty items not empty containers? If no, please explain.

c. Please confirm that in the empty equipment cost pool (1EEQMT) 52.17% of the code 6523 (empty equipment) costs are "not handling" costs. Please explain if not confirmed.

d. Please confirm that of the $39.21 million volume variable costs in the empty equipment cost pool, only 64.09% are code 6523 costs and that only 47.83% of those costs, or 30.65% of the total pool costs, represent handling of empty items or containers. Please explain if not confirmed.

e. What is the job description for the empty equipment cost pool?

f. Why are direct tally costs associated with the empty equipment cost pool?

g. Please confirm that direct tally costs represent 2.37% of the total empty equipment pool costs. Please also explain how the remaining 97.6% of the costs in that pool are distributed among subclasses and special service categories.

TW/USPS-T12-26 Response.

a. Confirmed.

b. Yes. Please note that several question 18 responses can lead to activity

code 6523 being assigned to a tally not handling mail. The responses

are the empty equipment categories in questions 18b part 2, 18d part 2,

and 18g. Please see LR-H-49 at pages 58, 64, and 76, and also the

source code to program ALB040, LR-H-21.

c. Confirmed. Of course, the "old methodology" made no use of the fact that activity code 6523 represented both handling and not-handling activities.

d. Confirmed.

e. The MODS operation code for "empty equipment processing" is 549. Please see Appendix A of LR-H-147 for the related activities.

f. The presence of direct tallies in the tally set associated with the 1EEQMT cost pool indicates that there were employees who were recorded as clocked into MODS operation 549 who were observed handling mail. In program ALBO40, information on handled mail from questions 22 and 23 will be used to assign a direct activity code if possible.

g. Confirmed that 2.37% of total empty equipment pool costs are distributed to direct mail activity codes (0010-4950). Please see my response to MPA/USPS-T12-1 for a discussion of the mixed-mail and not-handling-mail distribution methods. Note that the not-handling-mail distribution key for 1EEQMT uses the direct and distributed mixed-mail tallies in all MODS 1&2 mail processing cost pools, not just those which incidentally fall in 1EEQMT. Please see LR-H-146 at II-11.

TW/USPS-T12-27. Please refer to your answer to TW/USPS-T12-16, in which you indicate that stations and branches of MODS offices "do report MODS data through the parent finance number and are considered part of the MODS system for our analysis."

a. Please refer also to witness Moden's answer to TW/USPS-T4-1e, which might appear to contradict your answer referred to above. Please state whether you agree or disagree with witness Moden's answer. If you agree, then please explain how one is to reconcile his and your answers.

b. Please refer to pages 100-102 of LR-H-113, which shows volumes, workhours and productivity rates for various letter and flat sorting operations in MODS offices. Is it correct to conclude from your answer to TW/USPS-T12-16 that these volumes, workhours and productivity rates also include data from stations and branches of MODS offices? If no, please explain.

c. Please provide a definition of each of the nine office types listed in your answer to TW/USPS-T12-17c, and a description of the differences between the functions performed by each office type.

d. Do IOCS tallies from MODS offices identify the type of MODS office in which the tallies were taken? If yes, please identify the variable used for this purpose and the different types of MODS offices that may be recognized based on tally information. Can one, for example, determine whether a tally was taken at a station/branch, AO, AMF, etc.?

e. For each of the MODS cost pools used in your analysis, please provide the portion of volume variable pool costs that were incurred in stations and branches of MODS offices. Please also provide similar information for the AO's that are MODS offices.

f. If an AO is a MODS office, are any stations and branches under that AO thereby also included in the MODS data base?

TW/USPS-T12-27 Response.

a. The MODS data indicate that a grand total of 24,531,319 workhours

were booked in MODS operations associated with LDC 41–44, which are

defined in terms of activities performed at stations and branches. My

understanding is that these generally are booked under the customer

service finance number(s), rather than the processing and distribution

finance number, for a MODS "site." Accordingly, if witness Moden's use

of "facility" in TW/USPS-T4-1e is interpreted to mean the processing and

distribution facility, then the discrepancy is semantic.

b. In general, the answer depends on which MODS operation numbers are

included in a given productivity calculation. It does not appear that any

of the MODS operation numbers associated with the LDC 41-44 cost

pools appear in the referenced pages of LR-H-113, so those

productivities do not incorporate activities at stations and branches.

c. The office subtypes are defined as follows:

Airport Mail Center/Facility (AMC/AMF) — "A postal facility at an airport

that receives, distributes, and dispatches mail transported by air." (See

DMM Quick Service Guide 001.) .

Associate Office (AO) — "An office located within the boundary of its

management sectional center area that usually receives and dispatches

all classes of mail from and to the MSC post office." (See LR-H-147,

Glossary p. 1.) Please note that the term MSC is obsolete and should be

replaced with P&DC/P&DF or SCF to reflect the current organization of

the Postal Service.

Customer Service District Office (Dstr Ofc) — The office of the district

manager and district support personnel. Note that some mail processing

and related workhours, mostly in LDC 4X operations, are recorded under these finance numbers.

Processing and Distribution Center/Facility (PDC/PDF) — "A facility that processes and distributes mail for a specific service area." (See DMM Quick Service Guide 001.) The offices listed in my response to TW/USPS-T12-17c with this classification are generally larger facilities with automated and/or mechanized mail processing equipment.

Sectional Center Facility (SCF) — "A postal facility that serves as the processing and distribution center (P&DC) for post offices in a designated geographic area as defined by the first three digits of the ZIP Codes of those offices. Some SCFs serve more than one 3-difit ZIP Code range." (See DMM Quick Service Guide 001.) As used in my response to TW/USPS-T12-17c, these are mail processing facilities that serve as SCFs but which are not otherwise classified as P&DCs or P&DFs.

Vehicle Maintenance Facility (VMF) — A postal facility that provides maintenance for Postal Service vehicles.

d. No. The only offices that can be identified by type directly from IOCS data are the BMCs. For other office types, the relevant information would need to be obtained from another data system and merged with the tally data.

e. In the classification employed in my response to TW/USPS-T12-17c,

there is no distinction between stations, branches, and AOs. The data

for the stations and branches for a given city would generally be

recorded under the finance number classified as "AO," though some may

be recorded under the customer service district finance number.

Attachment 1 to this response provides a breakdown of the MODS mail

processing cost pools based on hours reported to the finance numbers

classified as (1) "AO", (2) "Dstr Ofc", (3) all other, in TW/USPS-T12-

17c. This is provided in electronic format in LR-H-270 as spreadsheet

tw27a1.xls.

f. Yes, to the extent that the stations and branches report their data to

MODS under the same finance number.

Proportions of costs by office category
MODS mail processing cost pools

Cost Pool	Office category			
	AO	Dstr Ofc	Other	Total
ocr/	0.2%	0.0%	99.8%	100.0%
bcs/	0.6%	0.1%	99.3%	100.0%
lsm/	0.3%	0.1%	99.6%	100.0%
fsm/	0.4%	0.1%	99.5%	100.0%
mecparc	0.3%	0.0%	99.7%	100.0%
spbs Oth	0.2%	0.0%	99.8%	100.0%
spbs Prio	4.3%	0.1%	95.6%	100.0%
1SackS_m	0.2%	0.0%	99.8%	100.0%
manl	1.2%	0.2%	98.6%	100.0%
manf	1.1%	0.3%	98.6%	100.0%
manp	1.5%	2.1%	96.4%	100.0%
priority	5.0%	0.0%	95.0%	100.0%
LD15	0.0%	0.0%	100.0%	100.0%
1Platfrm	0.8%	0.2%	99.0%	100.0%
10Ppref	0.8%	0.8%	98.4%	100.0%
10Pbulk	0.5%	0.0%	99.5%	100.0%
1POUCHING	0.4%	0.0%	99.6%	100.0%
1SackS_h	1.6%	0.0%	98.4%	100.0%
1Bulk pr	0.5%	0.0%	99.5%	100.0%
1CancMPP	0.6%	0.0%	99.4%	100.0%
1SCAN	0.7%	0.0%	99.3%	100.0%
express	0.6%	1.0%	98.4%	100.0%
Registry	0.6%	0.1%	99.3%	100.0%
Bus Reply	1.5%	0.0%	98.4%	100.0%
REWRAP	0.3%	0.2%	99.5%	100.0%
MAILGRAM	0.3%	0.0%	99.6%	100.0%
1EEQMT	0.3%	0.0%	99.6%	100.0%
1SUPPORT	2.0%	0.5%	97.5%	100.0%
1MISC	1.4%	0.5%	98.1%	100.0%
INTL	0.1%	0.0%	99.9%	100.0%
LD41	81.9%	13.7%	4.4%	100.0%
LD42	95.5%	0.1%	4.4%	100.0%
LD43	76.7%	21.5%	1.8%	100.0%
LD44	84.2%	11.4%	4.4%	100.0%
LD48 Exp	44.4%	13.2%	42.4%	100.0%
LD48_Adm	70.9%	21.6%	7.5%	100.0%
LD48 Sp Serv	67.6%	27.0%	5.4%	100.0%
LD48 Oth	79.5%	12.8%	7.7%	100.0%
LD49	89.5%	5.2%	5.3%	100.0%
LD79	78.8%	14.2%	7.1%	100.0%

TW/USPS-T12-28

a. When an IOCS clerk records an estimate of the portion of a mixed mail container that has bundles, does he also record whether those bundles contained letters, flats or pieces of come other shape? If yes, how is that information used in your cost distribution?

b. Table TW/USPS-T12-6b in LR-H-219 shows costs equal to $1.312 million associated with pallets in mixed containers. Please explain what types of containers can contain pallets.

c. If an IOCS clerk observes a mixed mail pallet containing sacks or trays, should he then record the pallet as an item or as a container? If he records it as an item, how does he describe its contents? Should he, assuming there is time, attempt to count the mail on the pallet? Please explain fully.

d. For each cost pool used in your analysis, please specify the costs associated with identified mixed mail containers. Please also provide a breakdown of these costs by item type (including loose pieces of different shapes). Additionally, please provide a further breakdown of these costs by container type.

e. For each cost pool used in your analysis, please specify the cost associated with counted and uncounted mixed mail items of each item type. Additionally, for each type of item that was counted at a given cost pool, please provide the resulting breakdown of counted item costs by subclass and special service category.

TW/USPS-T12-28 Response.

a. The specified information is not, and has not been, collected in IOCS.

b. I do not believe it would be possible for containers to hold a loaded

pallet. However, most container types could hold one or more empty

pallets. I suspect that the observations were almost of empty pallets

being transported in rolling stock.

c. The pallet is considered to be an item. If possible, the data collector

should determine whether the pallet contains identical mail and count the

contents of the pallet if it does not contain identical mail. However,

pallets of trayed or sacked non-identical mail can be difficult to count

without delaying the mail.

d. The requested data are included in LR-H-270 as files tw28dmod,

tw28dbmc, and tw28dnmd.

e. The requested data are included in LR-H-270 as files tw28emod,

tw28ebmc, and tw28enmd.

TW/USPS-T12-29. Please refer to your answer to TW/USPS-T12-11. Parts a and b of that interrogatory referred specifically to bundles. Parts e and f referred specifically to letter and flat trays. You appear to be confirming, in part b of your answer, that the "top piece rule" should always be applied in the case of mixed bundles and letter or flat trays. On the other hand, you appear to be trying to explain the presence of "mixed" bundles, letter trays and flat trays in the data base by referring to extreme difficulties in counting some items and the need to not interfere with mail flow and dispatch requirements.

a. Are you really saying that even identifying the subclass of the top piece in the bundle or tray may either be too difficult or interfere with mail flow or dispatch requirements, and that this may have caused the mixed mail bundle and tray tallies that are not empty tray tallies.
b. Please provide the most typical examples of when it is extremely difficult to count an item. If the types of difficulty vary with different item types, please describe the difficulties most typical for each item type.
c. Are there any further guidelines for IOCS clerks regarding when to conclude that (1) applying the top piece rule; and (2) counting an item, would unduly interfere with mailflows or dispatch or both? If yes, please describe those guidelines.
d. Please confirm that the requirement to not interfere with mail flows and dispatch requirements is more likely to be applied, other factors being equal, in the period shortly before a critical dispatch of the mail being handled. If not confirmed, please explain.
e. Please describe each of the item types listed in, for example, TW/USPS-T12-6b. Please include description of the mail classes and shapes most likely to be carried in the given item, conditions under which other classes or shapes may be carried, capacity of each item and areas of application (e.g. used by mailers versus only internal USPS use, use in mail collections, delivery, etc.)
f. How many mixed item tallies are there in the FY96 IOCS data base?
g. What percentage of the mixed item tallies had to be assigned as such due to incomplete or erroneous data entry? If you cannot give an exact percentage, please provide an estimate. Please do not include tallies that had to be discarded in your calculation.
h. How much time does an IOCS clerk typically have to complete a tally starting from when he arrives at the location where the tally is to be taken?

TW/USPS-T12-29 Response.

a. My response to TW/USPS-T12-11 was that there were two possibilities that might lead to a mixed-mail tally in a Top Piece Rule situation, one of which is that the data collector is unable for some reason to obtain a mailpiece. The other possibility is that the mail characteristics data recorded in questions 22 and 23 contains errors or inconsistencies which result in the LR-H-21 programs assigning a mixed-mail activity code to the tally.

b. The cited examples are locked items and palletized, shrink-wrapped sacks. See LR-H-49 at 91.

c. I am aware of no further guidelines.

d. Confirmed.

e. Please see LR-H-49 at 88 for a list of the items and a clarification of the definition of "bundle." The item names are largely self-explanatory otherwise. Please see my response to UPS/USPS-T15-2 for the associations of items with shapes and/or subclasses of mail. In addition to the associations listed in the response to UPS/USPS-T15-2, it should be noted that Con-Cons are associated with Registered mail. I understand that most item types may be made up by either mailers or the Postal Service. The exceptions are pallets, which I believe are made

up by mailers except for inter-BMC shipments of NMOs, and Con-Cons,

which I believe are used only by the Postal Service.

f. I counted 7,170 mixed-mail item tallies in the entire FY 1996 tally file

(i.e., including non-clerk/mailhandler tallies). This total does not include

counted item records, which are treated as direct tallies in the cost

distribution methodology described in my testimony. Of the 7170 tallies,

4971 are empty items with activity code 6523.

g. I estimated the percentage of tallies assigned mixed-mail codes because

of incomplete or erroneous data entry by looking at the responses to

question 22 (shape) and 23B (mail subclass). If there was an answer to

at least one of the two, I considered the response incomplete or

erroneous. I counted 115 such tallies, which is 5.2% of the non-empty

mixed items.

h. The data collector has as much time as needed, however, the exigencies

of mail processing and dispatch schedules may limit the time in which

the data collector has access to the mail.

TW/USPS-T12-30. In LR-H-219 the distribution key you provided in
TW/USPS-T12-6h and the cost distribution in TW/USPS-T12-6j, both include
some distribution to activity codes 5301, 5331,5340, 5341 and 5345.
Please explain how you distribute these costs to individual subclasses and
indicate the stage in your program where this distribution is done.

TW/USPS-T12-30 Response.

Please see my response to MPA/USPS-T12-1.

TW/USPS-T12-31. Please refer to Attachments 1 and 2 to your answer to
TW/USPS-T12-10. Their titles are, respectively, "FY96 IOCS Tally Dollars
($000s) by activity code cost pool and basic function - Mixed Items" and
"FY96 IOCS Tally Dollars ($000s) by activity code, cost pool and basic
function - Mixed Containers". Each attachment is a six page table.

a. Please confirm that, apart from their titles, the tables in Attachment 1
   and Attachment 2 are identical. If there are any differences between the
   numbers in the two tables, please point out those differences. If this is
   due to a mistake, please provide the correct tables.
b. Please confirm the following, and explain why if there is any part that
   you cannot confirm:
   (1) according to your spreadsheet TW/USPS-T12-3e, the volume
       variable costs with activity code 6523 at MODS cost pool
       1Platfrm are $110.944 million;
   (2) according to Attachment 3 of your answer to TW/USPS-T12-9,
       10.67% of these costs or $11.838 million, represent item costs
       and 49.54%, or $54.962 million, represent handling container
       costs;
   (3) in both attachments to TW/USPS-T12-10, the sum of the
       outgoing, incoming, transit and other component of 6523 costs at
       1Platfrm is $75.556 million;
   (4) similar discrepancies exist for all other cost pools;
   (5) the grand totals in both attachments add up to more than both
       the mixed uncounted item and mixed container costs indicated by
       Table TW/USPS-T12-6b in LR-H-219.
c. Please explain these discrepancies and provide corrections, as necessary,
   to be consistent and responsive to TW/USPS-T12-3, TW/USPS-T12-6,
   TW/USPS-T12-9 and TW/USPS-T12-10.
d. Please explain what the numbers in Attachments 1 and 2 to your answer
   to TW/USPS-T12-10 really mean.
e. After correcting these attachments, please include a breakdown of the
   grand total for each cost pool and basic function in each attachment by
   item type. Please also include, in the corrected versions of Attachments
   1 and 2, totals, per basic function, over all MODS cost pools, all BMC
   cost pools and all cost pools.
f. Please confirm that Attachment 3 to your answer to TW/USPS-T12-9
   and Attachments 1 and 2 to your answer to TW/USPS-T12-10 are
   spreadsheet generated and provide the spreadsheets in electronic form,
   after making any necessary corrections.

TW/USPS-T12-31 Response.

a. Confirmed. The same data were mistakenly copied into the Excel
   worksheets for both attachments. The spreadsheet filed in response to
   part f of this question contains corrected numbers.

b. (1.-5.) A discrepancy cannot be concluded from the data presented in
   the question because volume-variable costs and IOCS tally costs cannot
   be directly compared with each other. Please see my response to
   TW/USPS-T12-24 part a.

c. The apparent discrepancy can be resolved by employing volume-variable
   costs appropriately. The "discrepancy" in the 1Platfrm pool empty
   container costs can be resolved as follows:

(1) Volume-variable 6523 costs ($000), 1Platfrm (tw-19.xls, LR-H-260)	110,939
(2) "Handling container" %, 1Platfrm, Attachment 3, TW/USPS-T12-9 (carried out to additional decimal places)	49.54433%
(3) Implied 6523 handling container costs, 1Platfrm – (1) x (2)	54,964
(4) 6523 mixed container volume-variable costs, 1Platfrm, Attachment 1, TW/USPS-T12-9	54,964
(5) Difference (3) - (4)	none

d. The entries in the tables are the sum of IOCS tally costs (variable F9250)
   by cost pool, activity code, and basic function for tallies classified as
   "mixed containers" in programs MOD1DIR, BMC12, and NONMOD12.

TW/USPS-T12-10 parts b and c requested breakdowns of, respectively, mixed-mail item and mixed-mail container costs "by activity code, cost pool, and basic function." The F9250 IOCS tally costs are basis for the DOLLAR, KEY, KEYTOT, and WGT variables (among others), in programs MOD2ITEM, MOD3CONT, et al., from which the mail processing distribution keys are formed. Please see my response to TW/USPS-T12-24 for the formal relationship between the IOCS costs and "volume-variable costs" as we have used the latter term for various analytical exercises. From the perspective of the new methodology, the calculation performed in response to TW/USPS-T12-10 is effectively meaningless since neither the activity code nor the basic function is used to distribute these tallies.

e. The requested data have been included in LR-H-270. Spreadsheet tw31e_i.xls contains IOCS costs as in the attachments to TW/USPS-T12-10. Spreadsheet tw31e_v.xls contains this analysis expressed in terms of distributed volume-variable costs.

f. Attachment 3 to TW/USPS-T12-9 is included in LR-H-270 as tw9a3.xls. The attachments to TW/USPS-T12-10 are included in LR-H-270 as tw10.xls (this spreadsheet contains tabs for both the original and corrected versions of Attachment 1).

TW/USPS-T12-32. Please clarify your answer to TW/USPS-T12-12. In part a of your answer you state that "the only prerequisite for a mixed item tally is that the employee is observed handling an item." You then go on to indicate that a mixed mail tally could result if the employee is doing flat sortation and is observed holding a quantity of flats in his hand.

a. Please confirm that the employee handling an item is <u>not</u> the only prerequisite for obtaining a mixed item tally. In particular, please confirm that a mixed mail tally should not result if the employee is handling an item with identical pieces, or if the item is either a bundle, a letter tray or a flat tray, since for each of those items the top piece rule should apply.
b. Please confirm that even if an employee is observed handling an item with non-identical pieces which is neither a bundle, a letter tray or flat tray, fractions of direct tallies, rather than a mixed tally, would result unless counting the item would be "extremely difficult".
c. Please confirm that when the employee is sorting flats and is holding a quantity of flats in his hand, the quantity of flats should be considered a bundle and the top piece rule should be applied, leading to a direct tally. Please confirm that in Table 6 of your testimony, the direct costs (excluding mixed mail and other) include all tally costs resulting from application of the top piece rule. Please explain if not confirmed. Please confirm that in Table 6 of your testimony, the direct costs (excluding mixed mail and other) include all tally costs corresponding to counted items. Please explain if not confirmed.
d. Please confirm that in Table 6 of your testimony, the direct costs (excluding mixed mail and other) include all tally costs resulting from application of the top piece rule. Please explain if not confirmed.
e. Please confirm that in Table 6 of your testimony, the direct costs (excluding mixed mail and other) include all tally costs corresponding to counted items. Please explain if not confirmed.

TW/USPS-T12-32 Response.

a. Not confirmed. Even though a mixed-mail tally "should not" result from

the observation of an item containing identical mail or subject to the Top

Piece Rule, it is nonetheless a possible outcome. In my response to

TW/USPS-T12-11 part a, I stated, "[i]f the data for questions 22-24 are

missing, incomplete, or inconsistent, a mixed-mail activity code may be assigned to the tally." This is possible because the activity code is not assigned by the data collector, but rather by computer programs which process the CODES IOCS data to assign the activity code.

b. Confirmed that the result would be a series of "divided item" records, each with a "direct" activity code (possibly including 53XX and 54XX codes), provided that the item was actually counted and that the data were successfully processed by program ALB898, LR-H-21.

c. Confirmed subject to the caveats in my response to part a and to TW/USPS-T12-11.

d. The direct-mail costs in Table 6 and, further, in TW-19 of LR-H-260 do not contain all volume variable costs associated with Top Piece Rule tallies by construction. If some Top Piece Rule tallies are assigned mixed-mail activity codes (including 53XX-54XX codes), then the associated costs are not included in the direct-mail costs.

e. Not confirmed. The IOCS records associated with counted item tallies taken after June 30, 1996 are assigned 53XX-54XX activity codes. Such tallies are treated as direct tallies in some stages of the new distribution key methodology, but the associated costs are included in the "mixed" line of Table 6. Please see my response to OCA/USPS-T12-39.

TW/USPS-T12-33. Please state what type of tally should result in each of the cases described below and explain your answer in each case. Please document your answers by references to the instructions given to IOCS clerks, either in hardcopy form, orally or through the CODES system.

a. If an employee is observed handling two bundles of First Class flats, will the result be a direct tally, a mixed item tally or a mixed container tally? If the answer depends on factors not stated here, please explain fully.
b. If an employee is observed handling two bundles of Time Magazine, will the result be a direct tally, a mixed item tally or a mixed container tally? If the answer depends on factors not stated here, please explain fully.
c. If an employee is observed handling one bundle of Time Magazine and one bundle of another flat shaped regular rate weekly publication, will the result be a direct tally, a mixed item tally or a mixed container tally? If the answer depends on factors not stated here, please explain fully.
d. When an employee is observed handling two non-identical bundles, will the result be a tally that is treated as a mixed mail container tally in your costing method? If no, please explain.

TW/USPS-T12-33 Response.

a. The observation should be of multiple items not in a container (see LR-H-49 at 91). Whether this should result in a "direct" tally or an "identified mixed-mail container" tally depends on whether the two bundles together contain identical mail. If the bundles constitute an identical mail container, the data collector is instructed to select one piece and answer questions 22 and 23 using that piece, from which a direct activity code would be assigned barring data collection problems.

b. The situation is similar to that in part a in that the observation is of multiple items not in a container. Assuming the data collector
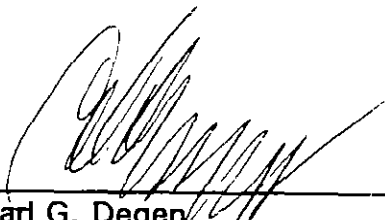
determines that the copies of Time Magazine would constitute identical

mail, then a direct tally should result.

c. In this case, the two bundles do not constitute identical mail, and the

result should be an identified mixed mail container tally.

d. Yes. Since such a tally should be assigned a 56XX-57XX activity code,

it would be distributed as mixed-mail in the old costing method as well.

DECLARATION

I, Carl G. Degen, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Carl G. Degen

Date: 9-22-97

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all

participants of record in this proceeding in accordance with section 12 of the Rules of

Practice.

Eric P. Koetting

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September 22, 1997